

BENJAMIN J. CAYETANO
GOVERNOR



NEAL MIYAHIRA
DIRECTOR

WAYNE H. KIMURA
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII PUBLIC EMPLOYEES HEALTH FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION

July 10, 2000

FINANCE MEMORANDUM

MEMO NO. 00-18

TO: All Department Heads

FROM: Neal Miyahira *Neal Miyahira*
Director of Finance

SUBJECT: Negotiation Agreement Approving Central Service Costs
and Fringe Benefit Rates for FY 00

Attached is a copy of the negotiation agreement between the State of Hawaii and the U.S. Department of Health and Human Services (DHHS) on behalf of the federal government approving central costs and fringe benefit rates for the fiscal year ending June 30, 2000.

Please note that the central service costs listed in Exhibit A of the agreement are costs that may be allocated only to federal grants, contracts, and other agreements performed by your departments and attached agencies. They should not be construed to reflect the full costs of central services provided to you.

The fringe benefit rate for FY 00 consists of the following items:

<u>Item</u>	<u>Rate</u>
Pension Accumulation	.00%
Pension Administration	.06%
Retiree Health Insurance	5.16%
Employees' Health Fund	6.63%
Workers' Compensation	.76%
Unemployment Compensation	2.06%
Social Security	7.65%
Composite Rate	22.32%

Due to the late approval of the FY 00 fringe benefit rates, assessments in FY 00 were based on the FY 99 rates. In most cases, the differences between the rates were not significant. However, because the rate for pension accumulation decreased from 5.78% in FY 99 to 0% in FY 00, pension accumulation was significantly over-collected. Normally, this over-collection would simply be credited against the next year's assessment; however, because the FY 01 pension accumulation rate will probably again be 0%, taking such a credit would be difficult. Another option would be to adjust the FY 02 rate. Our preferred option would be for the over-collection to be refunded as soon as possible. If this option is pursued, for federal programs that were assessed, DHHS will require documentation to support calculation of the refund amount, and document that a repayment or credit was made. We will be working with the ERS, DMG-MAXIMUS (the consultant who prepared the SWCAP and the RATE), and DHHS to resolve this issue.

If necessary, Ms. Anita White, of DMG-MAXIMUS, will be available during July 20-25, 2000, to meet with departments to discuss refunding calculations and documentation. Additional information on these meetings will be forthcoming.

In the meantime, until the fringe benefit rates for FY 01 are approved (hopefully, by the end of this month), the rates for FY 00 should be used.

Should you have any questions or require further information, please contact me, or your staff may contact Mr. James Nakamura, Administrator of this department's Budget, Program Planning and Management Division, at 586-1530.

Attachment

COST ALLOCATION AGREEMENT
STATE AND LOCAL GOVERNMENTS

STATE OF HAWAII
P.O. BOX 150
HONOLULU, HI 96810

DATE: September 8, 2000
FILING REF.: The preceding agreement was dated:
06/20/00 G10268

SECTION I: ALLOCATED COSTS

The central service costs listed in Exhibit A, attached, are approved on a fixed basis and may be included as part of the costs of the State/local departments and agencies indicated during your fiscal year ended June 30, 2000 for further allocation to Federal grants, contracts and other agreements performed at those departments and agencies.

SECTION II: BILLED COSTS

In addition to Section I, which provides for services furnished but not billed, the services listed below are furnished and billed to State/local departments and agencies.

Attorney General
*Fringe Benefits
*Telephone
Car Pool Motor Vehicles
*Data Processing

*See special remarks

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: September 8, 2000

Section III: General

F. Special Remarks:

Cost Allocation Plan

Charges for Fringe Benefits and Telephone Services cited in Section II are billed only to special (restricted) fund activities including Federal projects. Telephone Services allocated in Section I consist of costs related to State general fund activities. Department/agency indirect cost rate proposals will include any adjustments necessary to segregate these costs in Section I between the following categories: (1) those which are identifiable to direct programs funded from State general funds, and (2) those which are identifiable with administrative functions of the department/agency. Costs identified with category (1) will be included in the direct cost base, and costs identified with category (2) will be considered to be indirect costs.

Data Processing charges will be billed in accordance with rates established by the State and included in the records of the Information and Communications Services Division (ICSD). The variances between billed costs and actual costs must be carried forward in the computation of future billing rates; but no later than the second succeeding year. It is the responsibility of ICSD to notify departments of billing amounts for each department.

Fringe Benefits

Charges for fringe benefits cited in Section II include pension accumulation, pension administration, social security taxes, health, dental, and life insurance, unemployment compensation, and workers compensation.

For charging purposes, the following benefits rates may be used:

	Fixed for the Period <u>7/1/99 - 6/30/00</u>
Pension Accumulation	5.78%
Pension Administration	0.05%
Retiree Health Insurance	6.09%

All other benefits will be charged based on the actual rates in effect at the time the charges are made.

STATE/LOCALITY: State of Hawaii

AGREEMENT DATE: September 8, 2000

SECTION IV: CONDITIONS

The amounts approved in Section I and the billings for the services listed in Section II are subject to the following conditions:

- A. LIMITATIONS: (1) Charges resulting from this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. (2) Such charges represent costs incurred by the State/locality which are legal obligations of the State/locality and are allowable under OMB Circular A-87. (3) The same costs that are treated as indirect costs are not claimed as direct costs. (4) Similar types of costs are accorded consistent accounting treatment. (5) The information provided by the State/locality which was used to establish this Agreement is not later found to be materially incomplete or inaccurate.
- B. ACCOUNTING CHANGES: This Agreement is based on the accounting system purported by the State/locality to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from use of this Agreement require prior approval of the authorized representative of the Cognizant Agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from allocated cost to a billed cost. Failure to obtain approval may result in cost disallowances.
- C. FIXED AMOUNTS: If fixed amounts are approved in Section I of this Agreement, they are based on an estimate of the costs for the period covered by the Agreement. When the actual costs for this period are determined, adjustments will be made to the amounts of a future year to compensate for the difference between the costs used to establish the fixed amounts and actual costs.
- D. BILLED COSTS: Charges for the services listed in Section II will be billed in accordance with rates established by the State/locality. These rates will be based on the estimated costs of providing the services. Adjustments for variances between billed costs and the actual allowable costs of providing the services, as defined by OMB Circular A-87, will be made in accordance with procedures agreed to between the State/locality and the Cognizant Agency.
- E. USE BY OTHER FEDERAL AGENCIES: This Agreement was executed in accordance with the authority in OMB Circular A-87, and should be applied to grants, contracts and other agreements covered by that Circular, subject to any limitations in Paragraph A above. The State/locality may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

BY THE STATE/LOCALITY

State of Hawaii
(STATE/LOCALITY)

(SIGNATURE)

(NAME)

(TITLE)

(DATE)

JAN 12 2001

BY THE COGNIZANT AGENCY

ON BEHALF OF THE FEDERAL GOVERNMENT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
(AGENCY)

(SIGNATURE)

David S. Low

(NAME)

Director, Division of Cost Allocation

(TITLE)

September 8, 2000

(DATE)

HHS Representative Jean Chui

Telephone (415) 437-7820

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2000

Exhibit A
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	Bldg Use Charge	Risk Mgmt	Central Services	Surplus Property	Communi- cations	Lease Mgmt	Records Mgmt
AGRICULTURE (A)	30,202.00	35,330.00	(60,504.00)	7,945.00	52,494.00	1,572.00	669.00
BUSINESS & ECON DEV (B)	327,894.00	37,995.00	33,543.00	3,135.00	14,565.00	1,350,975.00	3,901.00
LAND & NAT RESOURCES (C)	125,617.00	108,798.00	139,707.00	31,554.00	109,686.00	20,902.00	(10,256.00)
TRANSPORTATION (D)	9,521.00	1,093,614.00	(224,274.00)	40,572.00	(17,053.00)	11,005.00	1,024.00
EDUCATION (E)	38,805.00	2,025,751.00	2,800,422.00	185,608.00	52,016.00	46,820.00	34,391.00
UNIVERSITY OF HAWAII (F)	12,314.00	1,069,802.00	88,830.00	75,986.00	60,168.00	35,951.00	26,989.00
DEFENSE (G)	1,166.00	38,808.00	(3,717.00)	(1,677.00)	27,782.00	23,302.00	176.00
HEALTH (H)	267,387.00	497,151.00	1,928,054.00	41,161.00	348,077.00	762,374.00	58,586.00
HAWAII HOME LAND (I)	2,644.00	14,565.00	(185,459.00)	5,854.00	27,103.00	359,235.00	2,946.00
JUDICIARY (J)	71,993.00	109,238.00	589,013.00	-	9,116.00	120,956.00	(19,314.00)
HUMAN SERVICES (K)	207,568.00	94,903.00	191,269.00	10,872.00	411,792.00	68,089.00	171,120.00
LABOR (L)	338,152.00	44,747.00	1,000,985.00	-	33,746.00	(18,373.00)	121,163.00
INFORM COMM SVCS DIV (ICSD)	63,536.00	8,963.00	29,960.00	-	-	(604,542.00)	-
ACCTG & GENL SVCS (M)	-	-	-	-	-	-	-
ATTY GEN SERVICES (N)	123,357.00	28,780.00	298,959.00	-	96,802.00	(94,983.00)	36,664.00
BUDGET (O)	14,673.00	4,671.00	88,757.00	-	(385,971.00)	1,152,446.00	468,955.00
PUBLIC SAFETY (V1)	5,693.00	194,189.00	(40,488.00)	(4,614.00)	171,026.00	496,449.00	9,134.00
GOVERNOR (Q)	366,290.00	(461.00)	71,609.00	941.00	(5,721.00)	190,130.00	71.00
COMMERCE (R)	359,210.00	27,283.00	261,109.00	-	99,168.00	4,976.00	(269.00)
LT.GOVERNOR (S)	137,295.00	2,368.00	34,099.00	2,928.00	12,186.00	1,572.00	-
TAXATION (T)	141,481.00	18,861.00	629,513.00	-	71,114.00	-	53,425.00
LEGISLATURE (Y)	1,882,792.00	22,914.00	469,656.00	941.00	16,729.00	-	3,673.00
HAWAII AFFAIRS (Z)	-	7,036.00	-	-	(2,960.00)	-	-
HONOLULU COUNTY (U)	-	-	-	40,030.00	-	-	(3.00)
MAUI COUNTY (V)	-	-	-	51,662.00	-	-	(56.00)
HAWAII COUNTY (W)	-	-	-	1,044.00	-	-	(666.00)
KAUAI COUNTY (X)	-	-	-	1,883.00	-	-	(209.00)
RETIREMENT	-	551.00	513.00	-	(8,796.00)	1,572.00	-
OTHER	(76,665.00)	-	736,467.00	154,188.00	484.00	5,084,551.00	(98.00)
TOTAL	4,450,925.00	5,485,857.00	8,878,023.00	650,013.00	1,193,553.00	9,014,979.00	962,016.00

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2000

Exhibit A
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	<u>Purchasing</u>	<u>Accounting</u>	<u>Pre- Audit</u>	<u>Internal Audit</u>	<u>Protective Services</u>	<u>Budget & Finance</u>	<u>Finance Admin</u>
AGRICULTURE (A)	6,560.00	75,064.00	970.00	12,274.00	63,724.00	93,177.00	2,194.00
BUSINESS & ECON DEV (B)	58,016.00	69,318.00	6,953.00	14,865.00	-	171,995.00	3,985.00
LAND & NAT RESOURCES (C)	57,117.00	288,334.00	15,152.00	40,056.00	-	153,148.00	9,710.00
TRANSPORTATION (D)	161,713.00	498,544.00	26,992.00	76,537.00	-	212,200.00	19,983.00
EDUCATION (E)	17,213.00	254,883.00	(239,359.00)	911,324.00	505,397.00	283,522.00	468.00
UNIVERSITY OF HAWAII (F)	-	77,000.00	(107,113.00)	7,791.00	-	139,060.00	(778.00)
DEFENSE (G)	787.00	34,458.00	6,649.00	295,322.00	175,789.00	58,872.00	4,086.00
HEALTH (H)	327,640.00	531,351.00	2,606.00	35,527.00	1,448,072.00	356,964.00	29,725.00
HAWAII HOME LAND (I)	67,287.00	64,810.00	2,281.00	11,796.00	-	14,758.00	1,474.00
JUDICIARY (J)	2,743.00	185,327.00	47,382.00	(226,987.00)	-	-	29,444.00
HUMAN SERVICES (K)	(10,133.00)	698,509.00	234,798.00	99,194.00	-	229,133.00	361,295.00
LABOR (L)	131,729.00	140,025.00	97,853.00	21,600.00	-	133,539.00	210,384.00
INFORM COMM SVCS DIV (ICSD)	-	-	-	-	-	(1,649,882.00)	-
ACCTG & GENL SVCS (M)	-	-	-	-	-	-	-
ATTY GEN SERVICES (N)	(6,997.00)	73,698.00	(6,560.00)	13,202.00	-	49,260.00	3,423.00
BUDGET (O)	(20,695.00)	100,660.00	101,883.00	144,303.00	39,593.00	3,820,331.00	47,211.00
PUBLIC SAFETY (V1)	106,146.00	199,873.00	(41,012.00)	22,663.00	-	206,062.00	(7,665.00)
GOVERNOR (Q)	(7,835.00)	(2,083.00)	(3,917.00)	(1,836.00)	966,846.00	(670.00)	(212.00)
COMMERCE (R)	91,528.00	78,893.00	2,525.00	6,254.00	-	(17,897.00)	2,829.00
LT GOVERNOR (S)	58,816.00	5,797.00	793.00	568.00	-	28,888.00	510.00
TAXATION (T)	17,005.00	116,210.00	114,090.00	14,089.00	-	71,005.00	224,241.00
LEGISLATURE (Y)	3,294.00	6,464.00	(2,182.00)	296,574.00	-	-	410.00
HAWAII AFFAIRS (Z)	727.00	32,362.00	(8,543.00)	(324.00)	-	-	(2,405.00)
HONOLULU COUNTY (U)	-	72.00	(22.00)	3.00	-	-	3.00
MAUI COUNTY (V)	-	(50.00)	23,737.00	(19.00)	-	-	9,188.00
HAWAII COUNTY (W)	-	(118.00)	(58.00)	(61.00)	-	-	(16.00)
KAUAI COUNTY (X)	-	(47.00)	4.00	(22.00)	-	-	1.00
RETIREMENT	-	-	-	-	-	180,539.00	-
OTHER	38,004.00	9,911.00	-	36,513.00	-	-	-
TOTAL	1,100,665.00	3,539,265.00	275,902.00	1,831,206.00	3,199,421.00	4,534,004.00	949,488.00

STATE OF HAWAII
SUMMARY OF CALCULATION OF
FIXED COSTS FOR FY 2000

Exhibit A
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	Health Fund	Human Rscs	Governor	Disability	Total
	Admin	Developmt		Compens	
AGRICULTURE (A)	(62.00)	106,311.00	3,143.00	4,985.00	436,048.00
BUSINESS & ECON DEV (B)	673.00	45,578.00	962.00	1,428.00	2,145,781.00
LAND & NAT RESOURCES (C)	678.00	204,308.00	7,339.00	11,579.00	1,313,429.00
TRANSPORTATION (D)	1,416.00	731,047.00	22,179.00	42,444.00	2,707,464.00
EDUCATION (E)	20,096.00	1,988,344.00	167,597.00	149,465.00	9,242,763.00
UNIVERSITY OF HAWAII (F)	991.00	534,558.00	52,104.00	49,134.00	2,122,787.00
DEFENSE (G)	15.00	50,487.00	1,301.00	5,299.00	718,905.00
HEALTH (H)	992.00	1,786,670.00	59,663.00	70,877.00	8,552,877.00
HAWAII HOME LAND (I)	141.00	21,919.00	1,082.00	1,132.00	413,568.00
JUDICIARY (J)	639.00	-	(11,653.00)	10,107.00	939,923.00
HUMAN SERVICES (K)	1,475.00	684,816.00	17,059.00	7,146.00	3,478,905.00
LABOR (L)	(249.00)	228,524.00	6,407.00	1,927.00	2,492,159.00
INFORM COMM SVCS DIV (ICSD)	-	-	-	-	(2,151,965.00)
ACCTG & GENL SVCS (M)	-	-	-	-	-
ATTY GEN SERVICES (N)	(61.00)	103,022.00	3,786.00	(1,571.00)	720,781.00
BUDGET (O)	(5,444.00)	115,327.00	392.00	1,951.00	5,689,043.00
PUBLIC SAFETY (V1)	1,380.00	660,916.00	26,261.00	37,663.00	2,043,676.00
GOVERNOR (Q)	(1,948.00)	(236.00)	(358.00)	788.00	1,571,398.00
COMMERCE (R)	274.00	72,329.00	2,498.00	688.00	991,398.00
LT.GOVERNOR (S)	(335.00)	951.00	(383.00)	640.00	286,693.00
TAXATION (T)	(297.00)	107,143.00	3,073.00	375.00	1,581,328.00
LEGISLATURE (Y)	3.00	-	(2,387.00)	79.00	2,698,960.00
HAWAII AFFAIRS (Z)	373.00	-	(658.00)	309.00	25,917.00
HONOLULU COUNTY (U)	70,090.00	-	72,955.00	255,193.00	438,321.00
MAUI COUNTY (V)	8,690.00	-	16,804.00	47,602.00	157,558.00
HAWAII COUNTY (W)	13,323.00	-	21,660.00	52,127.00	87,235.00
KAUAI COUNTY (X)	8,858.00	-	8,252.00	17,799.00	36,519.00
RETIREMENT	(143,218.00)	-	-	-	31,161.00
OTHER	-	-	-	4,270,082.00	10,253,437.00
TOTAL	(21,507.00)	7,442,014.00	479,078.00	5,039,248.00	59,026,069.00